

Message Text

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ACTION OES-04

INFO OCT-01 EA-06 ISO-00 FEA-01 ACDA-05 CIAE-00 INR-07

IO-10 L-02 NSAE-00 NSC-05 RSC-01 /042 W

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P R 310900Z JAN 75

FM AMEMBASSY TOKYO

TO ERDA GERMANTOWN

SECSTATE WASHDC 7715

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FOR FRIEDMAN FROM HENoch

E.O. 11652: N/A

TAGS: TECH, JA

SUBJECT: UEA-JAPANESE

REF: (A) TOKYO 16450, (B) TOKYO 1157

1. EMBOFFS FURTHER DISCUSSED JAPANESE RESPONSE UEA BRIEFINGS WITH: 1) TANAKA, V.P. TEPCO, 2) IMAI AND TAMIYA, ADVISORS ERG CHAIRMAN IPPONMATSU.

2. TANAKA IN ESSENCE CONFIRMED ESC STORY IN REF B WITH EMPHASIS ON: 1) IMPACT OF NATIONAL AND INTERNATIONAL ECONOMIC SITUATION AND GNP GROWTH UPON JAPAN'S NUCLEAR POWER PLANT CONSTRUCTION PROGRAM, 2) DIFFERENCE BETWEEN GROUND RULES IN UEA-ESC STUDY AND CURRENT THINKING, NAMELY, BILATERAL ARRANGEMENT BETWEEN US AND JAPAN WITH US CARRYING MAJOR PORTION VERSUS MULTINATIONAL ARRANGEMENT WITH US CARRYING RELATIVELY MINOR PORTION. JAPAN UTILITY EXECUTIVES SEE THIS CHANGE AS DIMINISHED US UTILITY COMMITMENT AND DECREASED ASSURANCE IN SUCCESS OF EFFORT. TANAKA ALSO STATED THAT REPORTS THROUGH BECHTEL OF USG READINESS TO SUPPORT PROJECT OFFERED NOTHING "CONCRETE" ON WHICH TO BASE JAPANESE DECISION. HOWEVER, TANAKA REITERATED THAT JAPANESE UTILITY INDUSTRY REGARDS US AS MOST RELIABLE ENRICHMENT SUPPLIER AND HAS NOT GIVEN UP LONG RANGE

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INTEREST IN COOPERATING WITH UEA AND/OR CENGEX PROJECTS.

3. ERG REPS EMPHASIZED THAT ESC'S RECOMMENDATIONS FOR JAPANESE PARTNERSHIP WITH UEA UNDER CERTAIN CONDITIONS, EMBODIED IN AN INTERIM REPORT SENT TO UTILITY PRESIDENTS LAST DECEMBER, REF (A), HAVE NOT BEEN ACCEPTED. ERG IS NOW STUDYING ESC FINAL REPORT. IN CONTRAST TO ESC, WHICH WAS A SURVEY ORRGANIZATION, ERG IS AN ORGANIZATION WHICH IS EXPECTED TO EVOLVE INTO AN OPERATING ENTITY; THUS, ITS REVIEW WILL BE MORE BUSINESS ORIENTED. FIRM JAPANESE COMMITMENT OF RESOURCES AND CAPITAL FOR A CONSTRUCTION OR PROJECT PLAN WILL PROBABLY NOT OCCUR UNTIL VITAL CONTINGENCIES IN THE PROJECT HAVE BEEN RESOLVED. ERG APPEARS ESPECIALLY CONCERNED ABOUT FIRM COMMITMENT FROM USG FOR SUPPORT OF UEA AND US UTILITY COMMITMENT. OF USG SUPPORT, ESC REP SHIBATA SAID LAST WEEK THAT IPPONMATSU DESIRES USG-UEA CONTRACT BEFORE JAPAN PARTICIPATION. ON SECOND POINT, ERG REPS SAID JAPAN UTILITIES FOLLOW US UTILITY LEAD STRONGLY AND THAT US UTILITY COMMITMENT MUCH LOWER THAN HAD BEEN EXPECTED. THEY TOOK EXCEPTION TO A BECHTEL EXPLANATION THAT FOREIGN CUSTOMERS DO NOT OBJECT TO THE PROPOSED CORPORATE STRUCTURE AND FINANCING. SPECIFICALLY, THEY THOUGHT IT STRANGE THAT A US MINORITY OF CAPITAL INVESTMENT COULD CONTROL THE COMPANY UNDER ANY CASE, EVEN IF ALL OTHER CUSTOMERS, WHO TOGETHER COULD CONSTITUTE A MAJORITY, WERE TO ACT AS A BLOC.

COMMENT: SUBSTITUTION OF ERG FOR ESC MIGHT APPEAR TO BE USUAL GAME OF JAPANESE MUSICAL CHAIRS, SINCE MEMBERSHIP OF GOVERNING BODY OF TWO GROUPS IS NEARLY IDENTICAL. HOWEVER, MOVE IS LIKELY TO TAKE ON MORE SIGNIFICANE THAN MIGHT APPEAR TO BE CASE, SINCE ESC STFF GROUP, WHICH WILL NOW BE DISSOLVED, WAS SECTOR OF JAPANESE SCENE MOST FAVORABLE TO UEA. MEETING REPORTED HEREIN WITH TAMIYA, WHO HEAD ERG STAFF, MAKES IT CLEAR HE DOES NOT FEEL BOUND BY ESC STAFF CONCLUSIONS, AND WILL FOLLOW MORE CAUTIOUS APPROACH.

4. IMAI, KNOWN AS A POLITICAL OBSERVER AS WELL AS SCIENTIFIC OBSERVER, REMARKED THAT THE SITUATION HAS CHANGED SINCE ORIGINAL NIXON-TANAKA STATEMENT ON A JOINT URANIUM ENRICHMENT PROJECT, WHICH HE BELIEVES WAS MOTIVATED BY A DESIRE TO HELP US-JAPAN BALANCE OF PAYMENTS. IN RELATING HIS THOUGHTS ON LIMITED OFFICIAL USE

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THE POLITICAL ASPECTS OF THE SITUATION, HE ASKED TO WHAT EXTENT IS THE USG INVOLVED AND SHOULD THIS BE HANDLED ON A GOVERNMENT-TO-GOVERNMENT BASIS. FURTHER HE ASKED HAVE WE CONSIDERED ALL THE ELEMENTS OF THE CURRENT UEA PROPOSAL, AND THE IMPACT IT WILL HAVE ON US-JAPAN RELATIONS. IMAI, AS WELL AS TANAKA, ALSO INDICATED SOME MISUNDERSTANDING ABOUT PREVIOUS JAPANESE STATED INTENT TO PURCHASE 2000 SWU'S IF CONDITIONS RIGHT AND UEA INDICATION TO OTHER POTENTIAL CUSTOMERS THAT

JAPAN COMMITTED TO 3000 SWU'S. WOULD APPRECIATE ANY CLARIFICATION AVAILABLE IN WASHINGTON AS TO VALIDITY OF IMAI'S CLAIM THAT UEA HAD CITED 3000-TON JAPANESE COMMITMENT.

5. COMMENT: JAPANESE SEEM MOST DISTURBED THAT ORGANIZATIONAL STRUCTURE OF UEA ENRICHMENT PROJECT IS NOW QUITE DIFFERENT FROM THE MODEL USED FOR THE ESC FEASIBILITY STUDY WHICH WAS A JOINT US-JAPAN PROJECT WITH US HOLDING THE MAJORITY INTEREST AND JAPANESE CAPITAL PLAYING A VITAL ROLE. JAPANESE MAY NOW FEEL LEFT OUT OF PROJECT THEY HELPED START IN THEIR JOINING ESC-UEA STUDY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM, NUCLEAR COOPERATION PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO01351
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750036-0316
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975011/aaaaaagz.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OES
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TOKYO 16450, 75 TOKYO 1157
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by ShawDG>; APPROVED <16 JUL 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UEA-JAPANESE
TAGS: TECH, JA, US
To: ERDA STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006